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IN THE

Supreme Court of the United States

October Term, 1942

No. 505

PAPER CONTAINER MFG. COMPANY,
Petitioner,

vs.

DIXIE-VORTEX COMPANY,
Respondent.

PETITIONER'S REPLY TO RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

SAMUEL E. DARBY, JR.,
Counsel for Petitioner.

F. ALLAN MINNE,
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Respondent's opposition to the grant of a writ of certiorari in this case is fundamentally based on the fallacious assertion that there is no public interest involved in the adjudication of patent rights in a case involving the doctrine of estoppel. Such an assertion is grossly blind to actualities as well as to the present day unanimity of judicial opinion that the public interest is involved in *every* adjudication of the validity of a patent monopoly which necessarily deprives the public of the benefits of open competition. To that extent a patent monopoly is contrary to basic public policy, and is sanctioned by the patent statute only if and when the prerequisites of that statute, both procedurally and in subject matter, have been complied with. Indeed, and as this Court stated in *Pope Manufacturing Co.* v. *Gormully*, 144 U. S. 224, 234 (see petition, p. 13), the public

interest certainly is of no lesser importance or impelling effect than the rights of the patent owner.

This Court has already recognized the public importance of the primary question here presented in a case between *licensee and licensor* by granting a writ of certiorari in *Sola Electric Company* v. *Jefferson Electric Company*, No. 45, October Term, 1942. The present case involves the applicability of the doctrine to *assignor and assignee*. Because the facts of the present case strikingly crystallize particularly obnoxious vices and abuses of the patent privilege to the detriment of the public right which are not present in the *Sola* case, it is believed that a review of the present case should be had, regardless of the disposition that is made of the *Sola* case. The legal status of a licensee is vastly different from that of an assignor, which fact unquestionably would preclude in the *Sola* case the full consideration, here sought, of the validity of the doctrine with respect to a patent *assignor* or to an assignor of an *application* for patent.

Nor can the public importance of this question be clouded by the effort made by respondent throughout its brief to convey the impression that petitioner (or, at least, the individual, Mr. Hulseman) had covenanted and warranted to defend the rights which, allegedly, were transferred by him. As we view the question here presented, that fact would be wholly immaterial, even if true, in view of the fact that the Court of Appeals did not (and could not) predicate its decision on any such ground. However, it is *not* true, and respondent's effort to create the impression that there exists in fact, or in the record, any covenant or warranty affecting the Smith and Bild patent is not only unjustified—it is unpardonable. The warrant and covenant to which respondent repetitiously refers throughout its brief, and

which is quoted in part on pages 3 and 4 thereof, has nothing whatever to do with the Smith and Bild patent—and respondent knows it. As will be observed upon reference to the agreement from which respondent has extracted an incomplete sentence (Vol. II, pp. 506-508), Mr. Hulseman transferred two things (A) a machine for making paper cups, and (B) a contract he had with the inventors, Smith and Bild, dated July 14, 1932. Those two things—the machine and the contract—constitute the "*property*" that Hulseman vouched he owned and had the power, right and lawful authority to dispose of, *and which he warranted and covenanted to defend. The contract of July 14, 1932* (Vol. II, pp. 503-506) *was entered into two and one-half years before the application for the Smith and Bild patent was filed.* That contract gave to Mr. Hulseman the exclusive right to purchase *one* machine (which at that time was in the process of construction), as well as the right to use "the methods and processes" of Smith and Bild *in that machine* or in any *subsequent* machines that he might thereafter purchase if that first machine proved satisfactory. There was no transfer of patent rights of any kind or nature whatsoever other than as might be implied from the exclusive right to *use* that machine—as distinguished from the right to *manufacture* and *sell* machines of that type.

In view of these few indisputable facts, respondent's deliberate effort to create the impression that Hulseman had or assigned *patent* rights which he warranted or covenanted to defend, is so unpardonably unjustified as to require no further comment on our part.

We also believe that at this stage of the case this Court is not materially concerned with respondent's futile effort to evade the manifest invalidity of the Smith and Bild patent because the Court of Appeals defined the invention thereof

as consisting of a feature which formed no part of the Smith and Bild invention, and was not even disclosed in the drawings or specifications, but which was injected into the *application* for patent by respondent in brazen and flagrant violation of all relevant law. We merely comment that respondent's efforts to this end consist merely of trying to induce the belief that the feature involved is the continuous movement of the paper *feed-rolls* or *web* (with which we are not concerned in any sense) rather than the movement of the *paper* (continuous, instead of intermittent) while it is having blanks cut therefrom. Obviously, claim 7 of the application and patent has nothing whatever to do with the movement of the *paper* at the position in the machine where the blank is cut therefrom; and this is fittingly exemplified by the simple fact that claim 7 was one of the claims declared upon at the trial. The District Court found and held that it was not infringed (Vol. II, p. 744), and no appeal was taken from that holding by respondent.

On page 17 of its brief respondent makes the bald italicized assertion that the District Court for the Eastern District of New York in *Vogt Instant Freezers* v. *New York Eskimo Pie Corporation* was reversed by the Court of Appeals in 69 F. (2d) 84. It is difficult for us to understand how such a misstatement of fact can be justified if deliberately made, as apparently it was. A reference to the decision of the Court of Appeals shows that the District Court was *affirmed*—not reversed.

The *affirmance* of the District Court was founded on non-infringement, the Court saying (at p. 86):

> "The patents with the claims allowed have the prima facie validity which follows from the action of the Patent Office, *and we find the decisive issues now involved may all be resolved by a decision as to in-*

> *fringement with the claims given their prima facie validity and the scope the prior art permits".**

It is true that in citing this Court's decision in *Westinghouse* v. *Formica*, 266 U. S. 342, as authority for the propriety of considering the prior art to limit the scope of the patent, the Court of Appeals stated that an assignor may not defeat the patent itself. However, that was mere *obiter dictum*, reciting, in broad language, the questionable estoppel rule as applied to the assignor of a *patent*—not an *application* for patent.

On pages 15 and 16 of respondent's brief our presentation of this Court's decision in *Westinghouse* v. *Formica*, 266 U. S. 342, is criticized. We refer to the opinion itself as justification for our interpretation. On page 342 this Court stated:

> "When the assignment is made before patent, the claims are subject to change by curtailment or enlargement by the Patent Office with the acquiescence or at the instance of the assignee, and the extent of the claims to be allowed may ultimately include more than the assignor intended to claim. This difference might justify the view that the range of relevant and competent evidence in fixing the limits of the subsequent estoppel should be more liberal than in the case of an assignment of a granted patent. *How this may be, we do not find it necessary to decide.*"

It is obvious from this language that this Court recognized the difference between a situation where a granted *patent* is assigned and where an *application* for patent is assigned. In so far as a patent is concerned this Court in that case said the assignee has available to it the entire prior art for the purpose of limiting the scope of the patent

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* Emphasis ours throughout this brief.

claims. With respect to an *application* it is our view that this Court plainly implied—without deciding—that the assignee might go very much further. We say the assignee certainly should be allowed to attack the *validity* of the patent where, as here, the assignee has altered the claimed invention in an illegal manner to create a monopoly neither invented by the patentee nor acquired by the assignee. We repeat, this Court expressly refrained from deciding that question, and it is asked to do so in the present case.

Conclusion.

We realize that this Court, nearly twenty years ago in the case of *Westinghouse* v. *Formica, supra,* recognized the applicability of the estoppel doctrine to patent cases. Since then, however, many events have occurred to bring pointedly to attention that the Courts—quite erroneously—have been ignoring the public interest in all patent controversies. Because thereof revision of thought on patent questions has recently, and with constantly increasing frequency, been necessary. Even revision of the patent laws has been deemed by many to be necessary to make them conform with the recent judicial opinions induced by belated recognition of the public right. As the Court of Appeals for the Sixth Circuit put it recently (Oct. 6, 1942):

> "The patent law is presently in a state of flux" (*United States Gypsum Co.* v. *Consolidated Expanded Metal Companies*, 55 U. S. P. Q. 247, 251).

We submit, therefore, that it certainly is timely to reconsider this doctrine and determine, in the light of the present recognition of public policy, whether it properly should exist at all, in opposition to the more impelling public interest; and, if it should exist, whether or not it

should be limited in such manner as to preclude the fraud upon the public and the unwarranted deprivation of public rights so clearly ilustrated by the facts of the present case.

We earnestly urge that the petition be granted.

Respectfully submitted,

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